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## Dialog with Stakeholders Aimed at Identifying Materiality

NEC has been pursuing initiatives to enhance sustainable management via dialog with stakeholders, as emphasized in the ISO 26000, a guidance on social responsibility.

Communication with stakeholders is very important also in the process of identifying materiality (priority themes towards sustainable development) while taking the expectations of society into consideration.

From fiscal 2017 to fiscal 2018, NEC communicates with various stakeholders in order to redefine NEC’s material issues.

### Dialog with experts in the field of sustainable management, civil society, and medium- to long-term investments

In June 2017, we held a dialog with experts on sustainable management, civil society, and medium- to long-term investments to solicit their opinions, as part of the process of identifying materiality at NEC. Representing NEC was our Chief Strategy Officer (CSO), who is in-charge of corporate strategy at NEC, along with the General Managers in-charge of, corporate planning, human resources, environment, and internal and external communications.



The following are the comments we received from the experts. The findings and the knowledge gained from the dialog will be passed on to relevant persons within the company and used as basis for reviewing the current material issues and identifying new ones.

#### Mr. Peter David Pedersen, Co-founder/Representative Director of NELIS

“Sustainable management requires all the Triple A elements, namely, “anchoring,” “adaptiveness,” and “alignment”; among which, “anchoring” serves as the base. Before thinking about materiality, NEC needs to strengthen its “anchoring” base. I believe it is essential to reaffirm whether the employees truly live by the company’s corporate philosophy, or whether the philosophy resonates with the larger society.”

“Identifying materiality means to decide where to invest your limited management resources. First, as a Social Value Innovator, I think NEC needs to identify its management innovation drivers and create simple mechanisms and frameworks to carry out those innovations, and explain them concisely to internal and external stakeholders.”

“Also, creating a framework for many employees to come up with a variety of ideas would facilitate the process of identifying materiality. Establishing materiality themes that will persuade and compel each and every member of the company towards achieving those goals requires creating an atmosphere that will strongly incite their interest.”



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**Mr. Masaru Arai, Chair of Japan Sustainable Investment Forum**



“The concept of Environmental, Social and Governance (ESG) investments has continued to grow and become mainstream investments by pension funds and investment management companies. In Japan, the ESG investment market surged after the Government Pension Investment Fund (GPIF) became a signatory to the United Nations supported the Principles for Responsible Investment (PRI) in September 2015.”

“ESG investment requires looking not only at financial information and tangible assets, which are the results of business activities, but also at non-financial information and intangible assets, which generate those results. And in recent years, non-financial information has become a more significant factor in the ESG investment decision making process.”

“Many investors consider global climate change as a risk factor, while for the ICT industry it has more positive implications rather than negative ones. Another area of investors’ interest is cyber security. NEC, therefore, is in a highly advantageous position for these business fields.”

“Many Japanese companies continue to struggle with their conventional business practice and management frameworks established by their founders and predecessors which no longer fit the ongoing globalizing economy . Long-lived companies that have operated more than a hundred-years like NEC have overcome many critical moments and are therefore equipped with the capability for self-transformation. The top management needs to identifying material issues of the company and deliver clear messages on how they change the company.”

**Ms. Kaori Kuroda, Executive Director of CSO Network Japan**

“Various initiatives are being pursued to address the 17 goals and 169 specific targets of the SDGs, and global indices for the SDGs are expected to be finalized during the United Nations Assembly in September this year. For example, regarding the target of halving the per capita global food waste, the European Commission has formulated the “Resource Efficiency Roadmap,” which includes reduction of food waste, and France, for example, has already enacted a law prohibiting disposal of food at supermarkets.”

“There are many areas by which ICT can provide solutions in achieving these SDG targets. There is a wide range of themes under which ICT companies can contribute other than the reduction of food waste losses, such as climate change, water, etc. On the other hand, because of the breadth of these themes, how to present the story on which area to apply ICT and through what kind of initiatives is also important. Presenting the story effectively not only facilitates understanding by the employees, but could also boost their motivation. This will also be beneficial in communicating to stakeholders outside the company. There is a need to come up with a good narrative on why particular initiatives are being pursued, while effectively leveraging the SDG story.”



**Hajime Matsukura, Executive Vice President and CSO of NEC**

“I was reminded of the importance of “anchoring.” I have gained a keen awareness of the need to focus more on activities aimed at sharing the thoughts of the management and the corporate philosophy with the employees, and to present the values that NEC can offer in a clear and concise manner to external stakeholders.”

“Going forward, to address the issue of materiality, I will endeavor to create a good story for connecting the businesses that create the values with the basic initiatives that serve as the medium- to long-term frameworks underpinning those businesses. I would like to come up with a compelling story for our employees as well as for all other stakeholders, and to disseminate that story to a wide audience.”